



THE *PETROL*
OIL & GAS COMPANY LIMITED

1967
ANNUAL
REPORT

Officers and Directors

Charles S. Lee

Calgary, Alberta
President of the Company;
President of Western Decalta Petroleum Limited;
President of New Brunswick Oilfields, Limited;
Director of Consolidated West Petroleum Limited.

Alastair H. Ross

Calgary, Alberta
Vice-President of the Company;
Vice-President of Western Decalta Petroleum Limited;
President of Consolidated West Petroleum Limited;
Vice-President of New Brunswick Oilfields, Limited.

L. G. Elhatton

Calgary, Alberta
Secretary-Treasurer of the Company;
Secretary-Treasurer of Western Decalta Petroleum Limited;
Secretary of New Brunswick Oilfields, Limited.

Harold J. Howard

Calgary, Alberta
Assistant General Manager, Crown Trust Company.

James L. Lewtas, Q.C.

Toronto, Ontario
Partner of Campbell, Godfrey & Lewtas; Barristers and Solicitors.

F. Richard Matthews, Q.C.

Calgary, Alberta
Partner of MacKimmie, Matthews, Wood, Phillips and Smith;
Barristers and Solicitors.

Robert Tetrault

Calgary, Alberta
President of Alberta White Trucks (Company) Limited.

Transfer Agents

Crown Trust Company
302 Bay Street, Toronto 1, Ontario

Head Office

80 King St. W., Toronto, Ontario

General Office

630 - 6th Avenue S.W., Calgary 1, Alberta

Listing

Toronto Stock Exchange

Subsidiary Companies

The Petrol Oil and Gas Corporation
Petrol Mineral Enterprises Ltd.

Annual Meeting

The next annual general meeting of the shareholders of the Company will be held at the Royal York Hotel, Toronto, Ontario, on April 25th, 1968, at the hour of 2:00 o'clock in the afternoon. A formal notice of the meeting, together with a form of proxy is enclosed with this report.

To The Shareholders

FINANCIAL

Net Income. Petrol's net income in 1967 was \$164,000 or 4.1 cents per share; the earnings in 1966 were \$156,000 or 3.9 cents per share. The \$8,000 improvement in net income resulted from lower charges for depreciation and depletion.

Cash Flow. Cash generated from operations amounted to \$336,000 in 1967 (\$335,000 in 1966) or 8.4 cents per share in both years.

Gross Income. The Company's total revenues in 1967 amounted to \$570,000, almost the same as last year (\$571,000). From the analysis shown at right centre, it will be noted that lower oil sales were offset by higher gas sales, mainly from the Simonette field.

Expenses. Total cash expenses, at \$234,000, were down by \$2,000 from 1966. The decrease in production expenses was attributable to operating economies effected in the D-3 field at Simonette as a result of unitization. Non-cash expenses — depreciation and depletion — were reduced from \$179,000 in 1966 to \$172,000 in 1967.

Expenditures. Petrol's expenditures for finding and developing new oil and gas reserves in 1967 were \$229,000 compared with \$462,000 last year (see tabulation lower right).

Source Of Funds. Funds were derived from two sources during 1967, firstly from operations (\$336,000) and secondly, from the sale of a production payment on certain of the Company's properties (\$495,000). These funds were used for the exploration and development expenditures (\$229,000) and for the retirement of a loan from the parent company (\$575,000). Working capital at the year end was \$243,000 compared to \$216,000 last year.

In Brief

	1967	1966
FINANCIAL		
Gross Income	\$570,000	\$571,000
Cash Flow	336,000	335,000
Per Share084	.084
Depreciation and Depletion	172,000	179,000
Net Income	164,000	156,000
Per Share041	.039
Working Capital	243,000	216,000
Exploration and Development Expenditures	229,000	462,000
Shareholders' Equity	2,896,000	2,732,000
Shares Outstanding	3,995,000	3,995,000
OPERATING		
Production		
Oil - net barrels	201,000	205,000
Gas - net mcf	85,000	27,000
Proven and Probable Additional Reserves:		
Oil - gross barrels	8,807,000	8,805,000
Gas - gross mcf	18,300,000	4,900,000
Land - gross acres	2,947,000	2,842,000
Land - net acres	324,000	316,000

Analysis of Gross Income

(Thousands of Dollars)

	1967	1966	Change
Crude Oil Sales	\$518	\$528	\$—10
Natural Gas Sales	36	27	+ 9
Royalty Revenue	7	8	— 1
Net Oil and Gas Sales	561	563	— 2
Interest and Other Income	9	8	+ 1
Gross Income	\$570	\$571	\$— 1

Expenditures for Finding and Developing

(Thousands of Dollars)

	1967	1966
Land and Rentals	\$ 94	\$185
Geological and Geophysical	48	22
Non-productive Drilling	29	16
Productive Drilling	16	175
Productive Equipment	42	64
Total	\$229	\$462

PRODUCTION

Crude Oil and Condensate. Petrol's net oil production totalled 201,300 barrels during 1967, a decrease of 3,300 barrels from 1966.

Production in Canada was 1,400 barrels higher at 189,000, while production from the U.S.A. was lower by 4,700 due to natural decline. Sources of production are shown in the tabulation at lower right.

Natural Gas. During 1967, deliveries of natural gas totalled 85 million cubic feet compared with 27 million in 1966. The additional volumes were obtained chiefly from the sale of D-3 solution gas in the Simonette field.

Revenues from natural gas and condensate will add significantly to Petrol's gross income as gas plants, in areas of the Company's reserves, are now being completed or are approaching the construction phase.

RESERVES

A summary of the Company's crude oil and natural gas reserves is presented below with comparative figures for the previous year. The reserves have been estimated by an independent consultant.

Proven and Probable Additional	January 1	
	1968	1967
Crude Oil Reserves (gross barrels)	8,807,000	8,805,000
Natural Gas (gross mcf)....	18,300,000	4,900,000

Crude Oil And Condensate. Crude oil reserves, including condensate totalled 8,807,000 gross barrels at January 1, 1968 compared to 8,805,000 barrels on the same date in 1967. Production during the year totalled 253,000 gross barrels. New oil reserves were added at South Inga in British Columbia and additional condensate reserves were acquired in the Ghost Pine field in Alberta. Upward adjustments of reserves in several of the Company's other properties were deemed warranted by the consultant.

Natural Gas. The Company's natural gas reserves at January 1, 1968 totalled 18.3 billion cubic feet, a substantial increase over the 4.9 billion cubic feet of last year. New reserves were acquired in the Ghost Pine field of Alberta and at Coleville-Smilely field in Saskatchewan. A major part of this increase was also due to the recognition of the gas from the D-3 unit at Simonette which had been previously excluded from the gas reserves until a market had become available.

Net Oil Production Summary

(Thousands of Barrels)

	1967	1966	% Change
Canada	189.0	187.6	+ .7
United States	12.3	17.0	—27.6
Total	201.3	204.6	— 1.6

Oil Production by Fields

(Net Barrels)

	1967	1966
ALBERTA		
Fenn	13,019	11,516
Mitsue	17,901	15,771
Pembina	63,472	61,075
Simonette	52,967	57,440
Swan Hills	9,436	9,104
Turner Valley	12,028	12,337
Other Fields	6,600	6,020
TOTAL	175,423	173,263
SASKATCHEWAN		
Instow	7,367	9,297
Other Fields	6,223	4,992
TOTAL	13,590	14,289
UNITED STATES		
Texas	12,297	17,023
TOTAL	201,310	204,575

DRILLING

During 1967, Petrol participated in the drilling of 14 wells consisting of 5 development wells and 9 exploratory wells. Of the 5 development wells, 2 were completed as oil producers and 2 as gas producers. Exploratory drilling resulted in one oil well and one gas well.

Areas of Major Interest

Simonette. Petrol has varying interests in the substantial acreage block at Simonette. Only a portion of these lands has been evaluated, but to date, oil and gas reserves have been proven in the D-1 and D-3 and gas reserves in the Cadomin and Dunvegan sands.

It is expected that Petrol's revenues from this field will increase materially over the next few years for the following reasons:

(1) A gas plant to process gas reserves from the D-1 and D-3 formations is expected to be completed during 1969 together with the necessary transmission lines. Considerable sulphur and condensate revenues will accrue from this venture. As the reserves from the Cadomin formation are "sweet", this gas may or may not be processed prior to entering the delivery line.

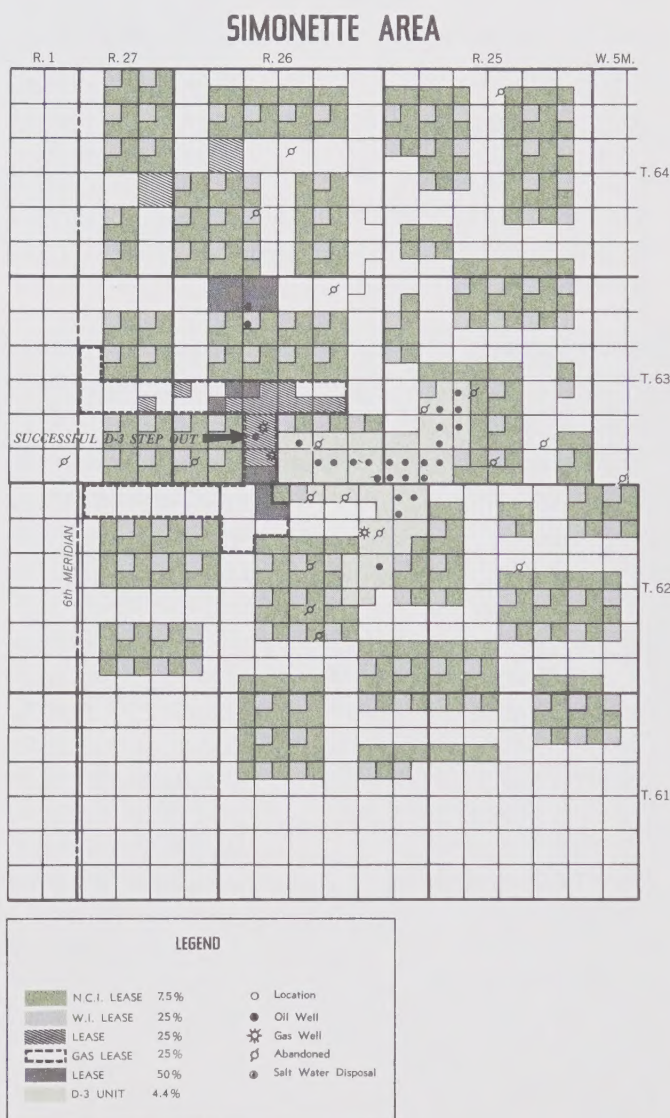
(2) Upon the operator reaching pay-out during 1969, Petrol's interest in the N.C.I. lease lands will increase from a 2% royalty to a 7½% net profits interest. At the same time, Petrol's interest in the D-3 unit will increase to an equivalent 8.4% from the present 4.4%.

(3) Early in 1968, Petrol and associates farmed out 640 acres approximately one mile west of the closest D-3 producer (see map). The well found the top of the D-3 approximately 90 feet above the water-oil contact in the main pool. Production tests are now awaiting the end of Spring road bans in order that the oil may be sold. The farmee has

now earned an interest in 320 acres and has the option to earn an interest in the other 320 acres by drilling a further well. Until pay-out of 150% of the farmee's costs, Petrol will have a 5% interest in the well and thereafter, a 20% interest.

LAND

At December 31, 1967, Petrol's acreage holdings totalled 2,947,000 gross acres (324,000 net acres); on the same date last year the acreage holdings were 2,842,000 gross (316,000 net) acres. A summary of these holdings by areas is presented at the bottom of page 4.



MUSKEG-KEG RIVER

In association with its parent company, Petrol is involved in a wide variety of prospects in those areas of endeavor which are most closely related to the exciting developments now taking place along the Muskeg-Keg River reef formation trends. Status reports on some of the areas shown on the accompanying maps, follow:

Mills Lake-Tathlina-Hay River, N.W.T. Extensive drilling and seismic activities are being conducted by other companies in the general area of Petrol's properties. As indicated on the accompanying map Petrol owns a 10% interest in the Mills Lake and Hay River block (125,000 reservation acres) and a 20% interest at Tathlina (95,000 reservation acres).

Cormack Lake, N.W.T. Petrol and its associates will be conducting a reconnaissance seismic survey on a portion of its lands in the Cormack Lake area. Petrol's interest in the lands involved, include 10% in 92,800 permit acres.

Wood Buffalo, Alberta. Approximately half of the 234,000-acre tract at Wood Buffalo has been farmed out to a major company which has undertaken to do seismic work this winter and to drill two wells next winter. As a result of this work being conducted by the major company, it will earn half of our interest in the lands being evaluated.

Big Boggy, Saskatchewan. A sum of \$400,000 will be spent on these lands at no cost to Petrol. These funds will be spent within the next 18 months; seismic and gravity work is now being done and it is likely that three or four wells will be drilled in the near future. Petrol will own 5% interest in these lands after the above expenditures.

OTHER AREAS

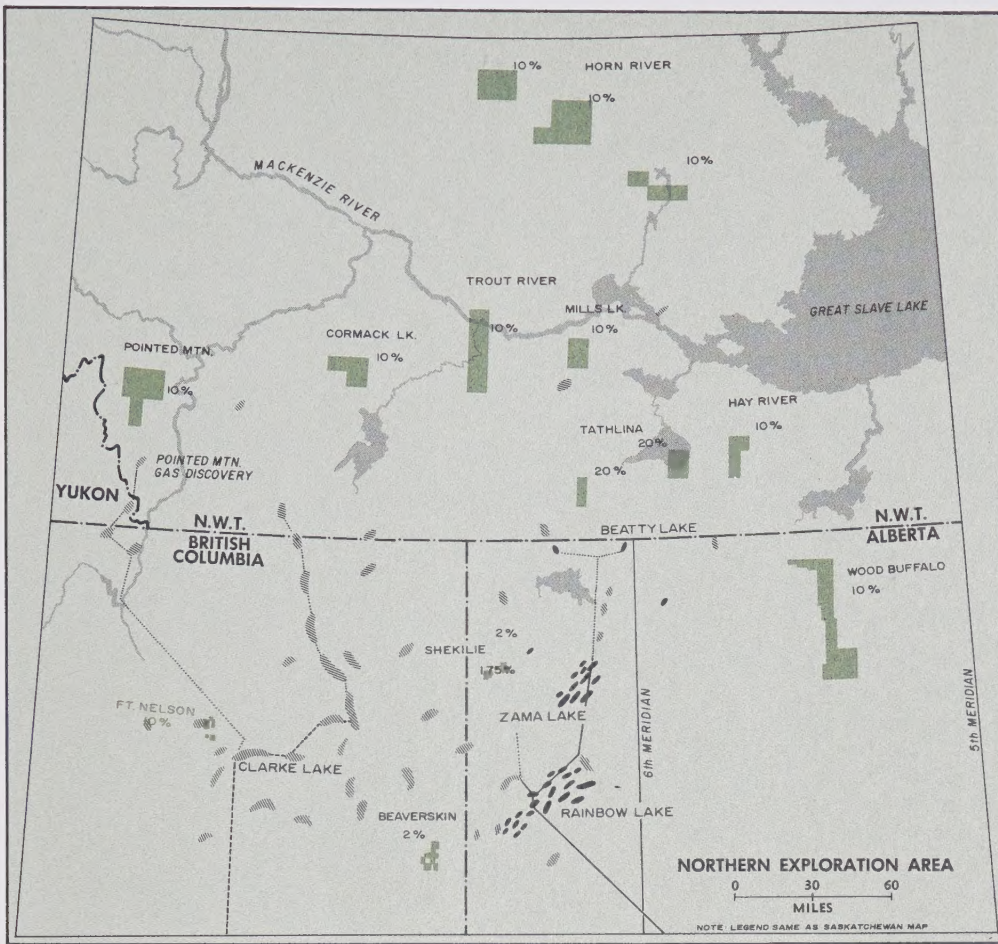
Fort Nelson, British Columbia. Your Company acquired a 10% interest in 14,800 lease acres in the Fort Nelson area of British Columbia. This acreage block was farmed out on an option basis. This option involves \$100,000 in seismic work with the right to earn a 50% interest by drilling a basement test.

Pointed Mountain, N.W.T. The Pointed Mountain block consists of 156,000 acres in which Petrol owns a 10% interest. The lands lie on the same anticlinal structure as that in which the PanAm Pointed Mountain P-53 gas discovery was made. This well is reported to have opened up 700 feet of pay. A second PanAm well, lying approximately 15 miles south of our land is now drilling. In 1969, Westcoast Transmission is scheduled to extend its gas pipeline northward from Fort Nelson to the gas reserves in the Pointed Mountain area.

SUMMARY OF ACREAGE HOLDINGS

	Petroleum and Natural Gas Leases		Reservations, Licences Permits (1)		Total	
	Gross	Net	Gross	Net	Gross	Net
Alberta	164,900	22,100	255,100	22,800	420,000	44,900
British Columbia	21,000	2,200	14,900	400	35,900	2,600
Northwest Territories	—	—	1,263,600	135,800	1,263,600	135,800
Ontario	34,000	34,000	—	—	34,000	34,000
Saskatchewan	6,200	400	1,187,300	106,300	1,193,500	106,700
	<u>226,100</u>	<u>58,700</u>	<u>2,720,900</u>	<u>265,300</u>	<u>2,947,000</u>	<u>324,000</u>

(1) Convertible into leases to the extent of approximately 50%.



Northern Exploration Holdings

	Gross Acres	Net Acres	
Pointed Mountain ..	155,772	15,577	R
Horn River	442,142	44,214	R
Cormack Lake	92,840	9,284	R
Trout River	184,788	18,479	R
Mills Lake	61,596	6,159	R
Hay River	62,769	6,277	R
Tathlina	94,496	18,899	R
Ft. Nelson	14,857	1,486	L
Beaverskin	13,467	67	DR
Wood Buffalo	234,240	23,424	R
Shekille	7,680	77	L

L — Lease

DR — Drilling Reservation

R — Crown Permit or Reservation convertible into Lease to the extent of approximately 50%

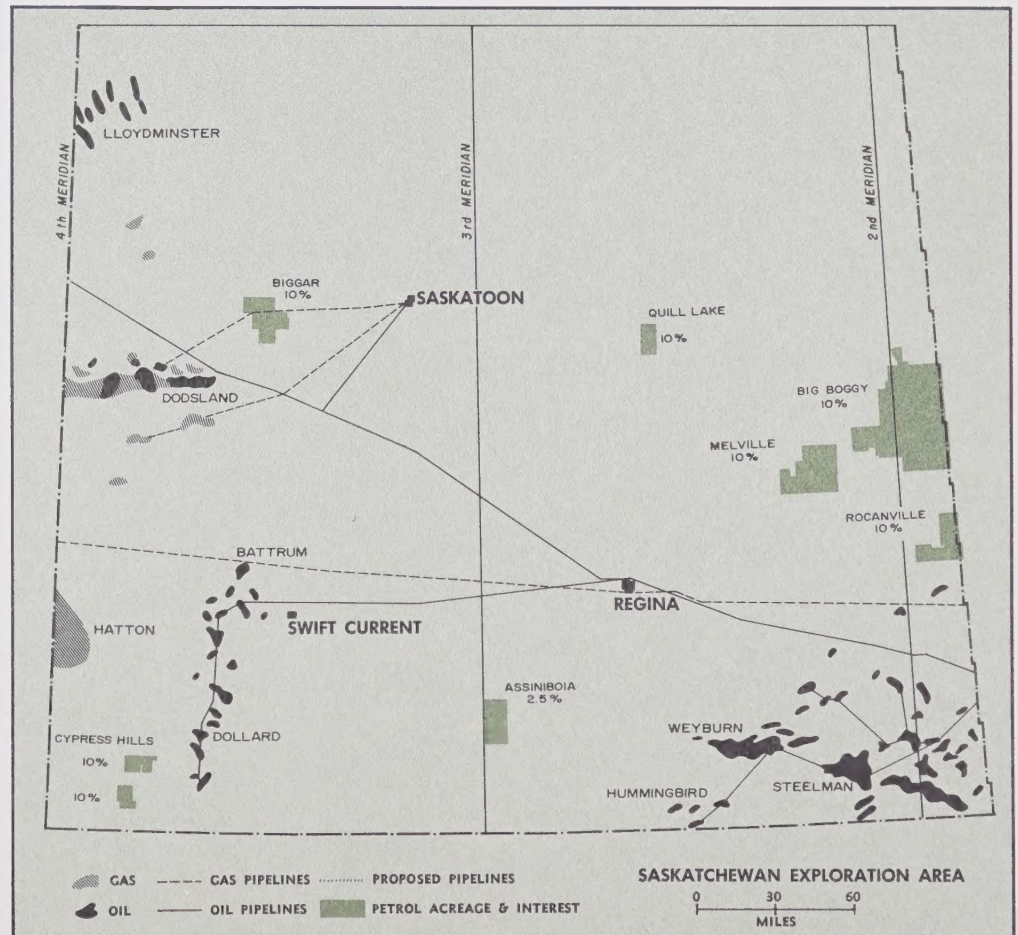
Saskatchewan Exploration Holdings

	Gross Acres	Net Acres	
Biggar	100,000	10,000	R
Cypress Hills	75,031	7,601	L&R
Assiniboia	99,297	2,482	R
Quill Lake	41,120	4,112	R
Melville	100,000	10,000	R
Big Boggy	431,824	43,182	R
Rocanville	50,800	5,080	R

L — Lease

DR — Drilling Reservation

R — Crown Permit or Reservation convertible into Lease to the extent of approximately 50%



ASSETS

	1967	1966
CURRENT:		
Cash	\$ 34,348	\$ 90,700
Accounts receivable	29,807	33,982
Due from affiliated company	200,000	120,000
Prepaid expense	1,444	626
	<u>265,599</u>	<u>245,308</u>
REFUNDABLE DEPOSITS	<u>1,469</u>	<u>1,469</u>
PROPERTY AND EQUIPMENT AT COST:		
Oil and gas properties less accumulated depletion of \$1,705,222 (1966— \$1,602,503)	2,874,630	2,789,940
Plant and equipment less accumulated depreciation of \$712,217 (1966— \$646,411)	271,025	299,176
	<u>3,145,655</u>	<u>3,089,116</u>
OTHER:		
Sundry investments at cost	<u>796</u>	<u>796</u>
	<u><u>\$3,413,519</u></u>	<u><u>\$3,336,689</u></u>

See accompanying notes to

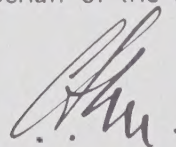
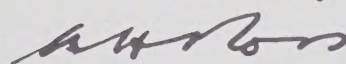
BALANCE SHEET

7 AND 1966

LIABILITIES

	1967	1966
CURRENT:		
Accounts payable and accrued charges	\$ 19,811	\$ 16,142
Due to parent company	2,571	13,253
	<u>22,382</u>	<u>29,395</u>
NOTES PAYABLE TO PARENT COMPANY		<u>575,000</u>
DEFERRED PRODUCTION INCOME (Note 3)	<u>494,806</u>	
SHAREHOLDERS' EQUITY:		
Capital—		
Authorized—8,000,000 shares of no par value		
Issued—3,995,000 shares	2,743,500	2,743,500
Earned surplus (deficit) (Page 8)	152,831	(11,206)
	<u>2,896,331</u>	<u>2,732,294</u>

On behalf of the Board:

 Director
 Director

<u>\$3,413,519</u>	<u>\$3,336,689</u>
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olidated financial statements.

THE **PETROL**
OIL & GAS COMPANY LIMITED
(No personal liability)
AND ITS SUBSIDIARY COMPANIES

Consolidated Statement of Income

FOR THE YEARS ENDED DECEMBER 31, 1967 AND 1966

	1967	1966
Net oil and gas sales	\$ 560,758	\$ 562,355
Interest and other income	9,036	8,381
	<u>569,794</u>	<u>570,736</u>
Deduct:		
Production expenses	161,438	166,152
General and administrative expenses	42,344	40,379
Interest expense	30,096	29,513
	<u>233,878</u>	<u>236,044</u>
Cash flow from operations	335,916	334,692
Depreciation and depletion	171,879	179,175
Net income for the year (See notes)	<u>\$ 164,037</u>	<u>\$ 155,517</u>

Consolidated Statement of Earned Surplus

FOR THE YEARS ENDED DECEMBER 31, 1967 AND 1966

	1967	1966
Balance of deficit at beginning of year	\$ 11,206	\$ 166,723
Net income for the year	164,037	155,517
Balance of earned surplus (deficit) at end of year	<u>\$ 152,831</u>	<u>\$ (11,206)</u>

See accompanying notes to consolidated financial statements.

THE **PETROL**
OIL & GAS COMPANY LIMITED
(No personal liability)
AND ITS SUBSIDIARY COMPANIES

Consolidated Statement of Source and Application of Funds

FOR THE YEARS ENDED DECEMBER 31, 1967 AND 1966

	1967	1966
Source of funds:		
Cash flow from operations	\$ 335,916	\$ 334,692
Sale of production payments	512,000	
Loan from parent company		150,000
Other		93
	847,916	484,785
Application of funds:		
Additions to property and equipment	228,418	462,353
Repayment of loan from parent company	575,000	
Retirement of production payments	17,194	
	820,612	462,353
Increase in working capital	\$ 27,304	\$ 22,432

See accompanying notes to consolidated financial statements.

Auditors' Report

TO THE SHAREHOLDERS OF
THE PETROL OIL & GAS COMPANY, LIMITED

We have examined the consolidated balance sheet of The Petrol Oil & Gas Company, Limited and its subsidiary companies as at December 31, 1967 and the consolidated statements of income, earned surplus and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of The Petrol Oil & Gas Company, Limited and its subsidiary companies at December 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta.
February 28, 1968.

CLARKSON, GORDON & CO.,
Chartered Accountants

Notes to Consolidated Financial Statements

DECEMBER 31, 1967

1. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all its subsidiaries. The accounts of a subsidiary company operating in the United States are, for purposes of consolidation, included on the basis of \$1 U.S. equals \$1 Canadian. Net assets so converted amounted to \$248,263.

2. ACCOUNTING PRACTICE

The companies follow the full-cost method of accounting wherein all costs relative to the exploration for and the development of oil and gas reserves, whether productive or non-productive, are capitalized and depleted on the composite unit of production method based on estimated proven reserves of oil and gas. Depreciation of plant and equipment is provided at rates which are designed to amortize cost over the estimated useful life of these assets.

3. DEFERRED PRODUCTION INCOME

During the year production payments, representing a portion of the Company's interests in future production from certain oil lands, were sold for \$512,000 cash. Income resulting from the sales has been deferred and will be reflected in income as the oil is produced and sold. It is expected that the production payments will be retired within three years.

4. INCOME TAXES

Under Canadian income tax law, exploration and development expenditures including property acquisition costs may be deducted from income or, if such expenditures exceed the income for the year, the excess may be carried forward to subsequent years. No provision for income taxes was required for the year ended December 31, 1967 and at that date an excess of such expenditures (approximately \$1,135,000) was available to be carried forward against future taxable income.

TEN YEAR STATISTICAL SUMMARY

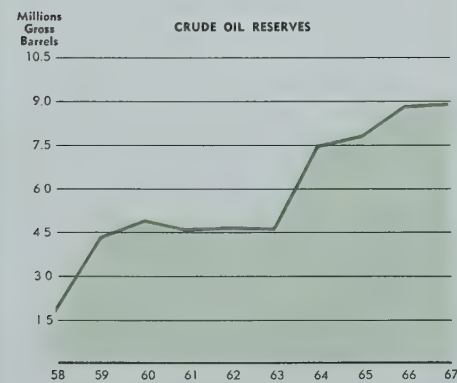
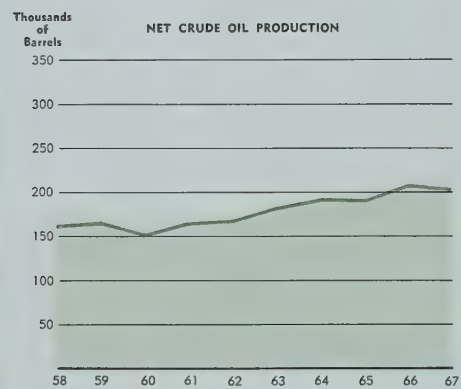
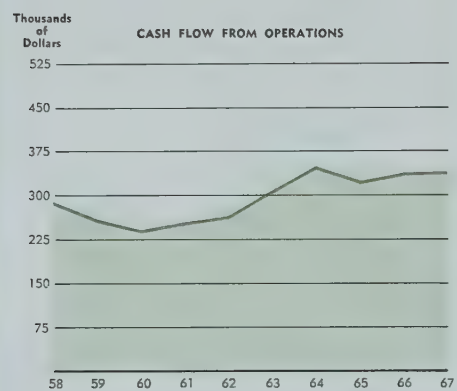
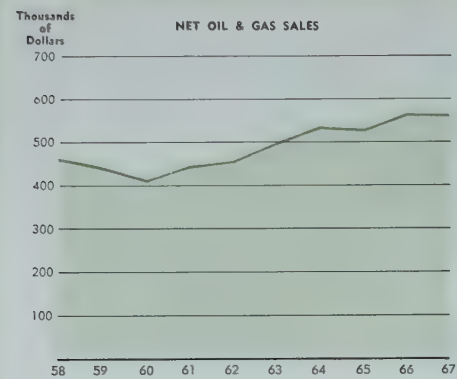
INCOME	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958
Net oil and gas sales	\$ 561,000	563,000	528,000	533,000	499,000	457,000	443,000	414,000	442,000	463,000
Interest and other income	9,000	8,000	6,000	10,000	13,000	7,000	3,000	12,000	11,000	9,000
Gross income	570,000	571,000	534,000	543,000	512,000	464,000	446,000	426,000	453,000	472,000
EXPENSES										
Production	162,000	166,000	159,000	160,000	166,000	140,000	142,000	126,000	122,000	109,000
General and administrative	42,000	40,000	38,000	37,000	41,000	47,000	43,000	53,000	62,000	74,000
Interest	30,000	30,000	15,000	—	—	15,000	8,000	10,000	13,000	1,000
Total	234,000	236,000	212,000	197,000	207,000	202,000	193,000	189,000	197,000	184,000
CASH FLOW FROM OPERATIONS ..	336,000	335,000	322,000	346,000	305,000	262,000	253,000	237,000	256,000	288,000
Per Share084	.084	.080	.086	.076	.065	.063	.059	.064	.072
DEPRECIATION AND DEPLETION ..	172,000	179,000	177,000	147,000			see note (2)			
NET INCOME (LOSS) ON OPERATIONS	164,000	156,000	145,000	199,000	78,000	(34,000)	11,000	9,000	(127,000)	11,000
Gain on sale of securities	—	—	22,000	9,000	20,000	8,000	32,000	—	—	—
NET INCOME (LOSS)	164,000	156,000	167,000	208,000	98,000	(26,000)	43,000	9,000	(127,000)	11,000
Per Share (exclusive of special gains)	.041	.039	.036	.050			see note (2)			
WORKING CAPITAL	243,000	216,000	193,000	150,000	415,000	345,000	278,000	203,000	225,000	334,000
EXPENDITURES										
Exploration and development	229,000	462,000	725,000	527,000	258,000	202,000	213,000	286,000	394,000	428,000
PRODUCTION										
Oil - net barrels	201,000	205,000	188,000	191,000	180,000	166,000	164,000	151,000	165,000	162,000
Gas - net mcf	85,000	27,000								
RESERVES (3)										
Oil - gross barrels	8,807,000	8,805,000	7,786,000	7,458,000	4,572,000	4,617,000	4,571,000	4,899,000	4,346,000	1,850,000
Gas - gross mcf	18,300,000	4,900,000	5,200,000	3,700,000	3,700,000	3,700,000				
LAND HOLDINGS										
Gross acres	2,947,000	2,842,000	471,000	450,000	457,000	539,000	362,000	609,000	745,000	948,000
Net acres	324,000	316,000	144,000	147,000	143,000	147,000	74,000	103,000	159,000	262,000
SHARES OUTSTANDING	3,995,000	3,995,000	3,995,000	3,995,000	3,995,000	3,995,000	3,995,000	3,995,000	3,995,000	3,970,000

Notes: (1) The above statistics are for The Petrol Oil & Gas Company, Limited and its wholly-owned subsidiaries.

(2) Full-cost method of accounting for exploration and development expenditures was adopted in 1964.

(3) Includes proven and probable additional reserves.

10 YEAR TRENDS



PETROL

PROGRESS REPORT - SEPTEMBER 1967

File

THE PETROL OIL AND GAS COMPANY, LIMITED • 630 SIXTH AVE. S.W., CALGARY, ALBERTA, CANADA

FINANCIAL

FIRST HALF 1967

Net Income during the first half of 1967 amounted to \$74,000 compared with \$85,000 during the equivalent period in 1966. Cash flow from operations amounted to \$159,000 (\$183,000 last year).

The comparison of Net Income and Cash Flow during the first six months of 1967 and 1966 is not representative. In the second quarter of 1966, the Simonette D3 field produced in the order of 10,000 barrels in excess of the allowable rate (see Net Oil Production table next page). While there was a correlative reduction in production in the third quarter of 1966, anticipated battery equipment modifications were made without disrupting over-all production quotas. As production allowables have been significantly increased recently as a result of the Middle East situation, production and revenue figures for the first nine months

of 1967 are expected to exceed those of the same period last year.

Expenditures. During the first half, Petrol spent \$119,000 for finding and developing new reserves (\$253,000 last year). A comparative Source and Application of Funds Statement for the six months periods ended June 30th, 1967, and 1966 is shown below:

(In Thousands of Dollars)	1967	1966
Source of Funds:		
Cash flow from operations	\$159	\$183
Application of Funds:		
Land acquisitions and rentals	23	108
Geological and geophysical	46	2
Non-productive drilling	24	2
Productive drilling and equipment	26	141
	119	253
Increase or (decrease) in working capital	\$ 40	\$(70)

CONSOLIDATED STATEMENT OF INCOME

	SECOND QUARTER			FIRST HALF		
	1967	1966	% CHANGE	1967	1966	% CHANGE
Net oil and gas sales	\$134,000	\$156,000	—14.1	\$272,000	\$292,000	— 6.8
Interest income	2,000	2,000		4,000	4,000	
	136,000	158,000	—13.9	276,000	296,000	— 6.8
Deduct:						
Production expenses	40,000	32,000	+25.0	79,000	77,000	+ 2.6
General and administrative expenses . . .	13,000	12,000	+ 8.3	22,000	23,000	— 4.3
Interest expenses	8,000	7,000	+14.3	16,000	13,000	+23.1
	61,000	51,000	+19.6	117,000	113,000	+ 3.5
Cash flow	75,000	107,000	—29.9	159,000	183,000	—13.1
Depreciation and depletion	42,000	53,000	—20.8	85,000	98,000	—13.3
Net income	\$ 33,000	\$ 54,000	—38.9	\$ 74,000	\$ 85,000	—12.9

Subject to audit and adjustment at year end.

AR13

(Thousands of barrels)

* Allowable over-produced in 2nd quarter of 1966.

During the first half, your Company took a small interest in the drilling of 8 wells; 7 of these were classified as exploratory and resulted in a gas well at Smiley, Saskatchewan (Petrol 5%) and an oil well (Clarelier 7-4) in south-east Saskatchewan (Petrol 10%).

During the second quarter, evaluations of a number of seismic and gravity surveys were in progress. These surveys were made on such company properties as Trout River, N.W.T., Beaverskin, B.C., Shekitie and Wood Buffalo in northern Alberta and Big Boggy in Saskatchewan. The properties and Petrol's interest in each are shown on the accompanying maps. Based upon the results of these evaluations, drilling will be done after freeze-up this winter.

